

RECORDATION NO. **8140** Filed & Recorded

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INTERSTATE COMMERCE COMMISSION

This Indenture executed at the City of Montreal, in the Province of Quebec, under formal date of November 1, 1975.

BY AND BETWEEN:

PETERSON, HOWELL & HEATHER
(CANADA) LIMITED, a company
duly incorporated under the
laws of Canada, having its
head office at the City of
Verdun, in the Province of
Quebec (hereinafter called
the "Company")

OF THE FIRST PART

A N D:

THE ROYAL TRUST COMPANY, a
company having its head
office at the City of
Montreal, in the Province
of Quebec (hereinafter
called the "Trustee")

OF THE SECOND PART

WHEREAS the Company is desirous of creating and issuing its Secured Equipment Notes to be constituted and secured in the manner hereinafter appearing; and

WHEREAS the Company under its Charter and under the laws relating thereto is duly authorized to create and issue the said Notes as hereinafter provided and to secure the same by this Deed of Trust and Mortgage and by Trust Deed of Hypothec, Mortgage and Pledge; and

WHEREAS all things necessary have been done and performed to make the said Notes, when

certified

certified by the Trustee and issued as in this Deed provided, valid, binding and legal obligations of the Company and to constitute this Deed a valid security for the payment of the principal of and interest on all Notes issued hereunder to the extent and in the manner herein provided; and

WHEREAS the creation and execution of this Deed and the creation, execution and issue of Notes subject to the terms hereof have in all respects been duly authorized.

NOW, THEREFORE, THE PARTIES HERETO HAVE agreed with each other as follows:-

SECTION 1

INTERPRETATION

Section 1.1. Definitions.

The following words and phrases, wherever used in this Deed, shall, unless there be something in the context inconsistent therewith, have the following meanings:-

1.1.1. "Assigned Rentals" means all rentals and payments of Casualty Value payable to the Company pursuant to the CN Lease.

1.1.2. "Casualty Occurrence" with respect to any unit of Equipment means that such unit shall be or become worn out, lost, stolen, destroyed, irreparably damaged or damaged beyond economic repair from any cause whatsoever or be taken or requisitioned by condemnation, expropriation or otherwise.

1.1.3. "Casualty Value" of each unit of the Equipment as at any rental payment date under the CN Lease means that percentage of the Original Cost thereof determined as follows:-

Rental

<u>Rental Payment Date</u>	<u>Percentage</u>
February 28, 1976	106.8950%
August 28, 1976	106.0190
February 28, 1977	104.8810
August 28, 1977	103.5410
February 28, 1978	101.9730
August 28, 1978	100.2220
February 28, 1979	98.2682
August 28, 1979	96.1452
February 28, 1980	93.8393
August 28, 1980	91.3744
February 28, 1981	88.7408
August 28, 1981	89.9554
February 28, 1982	83.0112
August 28, 1982	79.9198
February 28, 1983	76.6759
August 28, 1983	73.2872
February 28, 1984	69.7494
August 28, 1984	66.0671
February 28, 1985	62.2368
August 28, 1985	58.2607
February 28, 1986	54.1356
August 28, 1986	49.8619
February 28, 1987	45.4365
August 28, 1987	40.8582
February 28, 1988	36.1240
August 28, 1988	31.2317
February 28, 1989	26.1778
August 28, 1989	20.9593
February 28, 1990	15.5726
August 28, 1990	10.0000

1.1.4. "Certified resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary or other officer of the Company, under its corporate seal, to have been duly adopted by the Directors of the Company.

1.1.5. "CN Lease" means that certain Lease Agreement dated November 3, 1975 entered into between the Company, as lessor, and Canadian National Railway Company, as lessee, providing for the lease by the Company to Canadian National Railway Company of the railway equipment therein described or referred to, as the said Lease Agreement may be amended or supplemented from time to time with the consent of the Trustee.

1.1.6.

1.1.6. "Company" means the Party of the First Part and any successor company.

1.1.7. "Counsel" means counsel (who may be of counsel to the Company) appointed by the Company and acceptable to the Trustee and also means counsel for the Trustee where the context so states.

1.1.8. "Directors" means the Board of Directors of the Company for the time being and reference without more to action by the Directors shall mean action by the Directors as a Board or by any authorized Committee thereof.

1.1.9. "Equipment" means all the equipment of the Company leased to Canadian National Railway Company under the CN Lease and described or referred to in Section 21 hereof, including repairs and replacements thereof.

1.1.10. "Fair Market Value" with respect to any unit of Equipment means the Fair Market Value of such unit as determined in accordance with the terms and provisions of the CN Lease.

1.1.11. "Mortgaged Premises" means and includes all property, rights and assets of the Company subjected or intended to be subjected to the charges and security created hereby.

1.1.12. "Notes" means any Note or all the Notes of the Company, as the case may be, issued and certified hereunder and entitled to the benefit of the security hereof and for the time being outstanding.

1.1.13. "Noteholder" or "holder" means any person for the time being entered in the register herein mentioned as a holder of the Notes.

1.1.14. "Noteholders' Instrument" means a document signed in one or more counterparts by the holder or holders of not less than seventy-five percent (75%) in principal amount of the Notes at the time outstanding

requesting

requesting or directing the Trustee to take some action or proceeding specified therein.

1.1.15. "Permitted Encumbrances" means at any particular time any of the following encumbrances:-

(a) all right, title and interest of Canadian National Railway Company as lessee under the CN Lease;

(b) liens or privileges for taxes, rates, assessments or governmental charges or levies not yet subject to penalties (other than interest on any overdue taxes) for non-payment, or the validity of which is being at the time contested in good faith by the Company and in respect of which contestation by the Company there shall have been deposited with the Trustee for the purpose funds sufficient to pay such lien or privilege in the event of its being held valid;

(c) the excess of the amount of any taxes, rates, assessments or governmental charges or levies for which final assessments have not been received over and above the amount thereof as estimated by a responsible officer of the Company, provided the Company shall have set aside on its books adequate reserves with respect thereto; and

(d) mechanic's and similar liens and privileges in respect of which the Company is not delinquent.

1.1.16. "Officers' Certificate" means a certificate signed by the Chairman of the Board or the President or a Vice-President and a Director or the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Company containing information as of a date not more than thirty (30) days prior to the date of delivery of the certificate.

1.1.17.

1.1.17. "Original Cost", as applied to any unit of Equipment, means the original cost thereof to the Company as set forth in Section 21 hereof.

1.1.18. "This Trust Deed of Hypothec, Mortgage and Pledge", "this Trust Deed", "this Deed", "these presents", "this indenture", "herein", "hereby", "hereunder", and similar expressions refer to this Deed of Trust and Mortgage and said Trust Deed of Hypothec, Mortgage and Pledge and include any and every deed of assignment, transfer, hypothec, pledge or other instrument of charge which is supplementary or ancillary hereto or in implement hereof, and "lien hereof", "lien hereunder", "lien or charge hereof", "charge hereof", and similar expressions mean the security constituted hereby or by any such instrument.

1.1.19. "Trustee" means the Party of the Second Part or its successors in the trusts hereby created.

1.1.20. "Trustee's Indemnification" means sufficient funds, in the opinion of the Trustee, to commence, continue and carry out any act, action or proceeding and indemnity satisfactory to the Trustee to protect and hold harmless the Trustee against all costs, charges, expenses, and liabilities to be incurred as a result of any such act, action or proceeding and any loss and damage it may sustain by reason thereof.

1.2. Number and Gender. Words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine gender and words importing persons shall include firms, associations and corporations and vice versa.

1.3. Headings. The division of this Deed into sections, paragraphs and clauses and the insertion of headings are for convenience of reference only and shall not affect its construction or interpretation.

1.4. Holidays. Payments required to be made hereunder which fall due on dates which are legal

holidays

holidays at the place of payment may be made without penalty on the next succeeding business day at such place of payment.

SECTION 2

FORM AND TERMS OF NOTES

2.1. The Notes authorized to be issued hereunder from time to time are to be payable in lawful money of the United States of America and are limited to an aggregate principal amount of Five million eight hundred thousand dollars (\$5,800,000) designated "10-1/8% Secured Equipment Notes".

2.2. All Notes issued hereunder and secured hereby shall be under the seal of the Company and shall be signed by the President or a Vice-President and countersigned by the Secretary or an Assistant-Secretary or any Director of the Company. The signature or signatures of all or any one or more of such officers or Directors may be engraved, lithographed, printed or otherwise mechanically reproduced on the Notes and such engraved, lithographed, printed or otherwise mechanically reproduced signature or signatures shall be deemed for all purposes to be the signature of such officer or officers or Director and shall be binding upon the Company. Notwithstanding any change in any of the persons holding the said offices between the time of actual signing and the certifying and delivery of the said Notes and notwithstanding that the President or Vice-President or Secretary or Assistant Secretary or Director signing may not have held office at the date of this Deed or at the date of said Notes or at the date of the certifying and delivery thereof, the said Notes so signed shall be valid and binding upon the Company and entitled to the security of this Deed.

2.3. No Note shall be issued or, if issued, shall be obligatory or shall entitle the holder to the benefit of the security of these presents or the

benefit

benefit of the trusts hereunder until it has been certified by or on behalf of the Trustee, and such certification by the Trustee upon any such Note shall be conclusive evidence that the Note so certified has been duly issued hereunder and that the holder thereof is entitled to the benefit of the security of and the trusts under this Deed.

2.4. When any of the Notes are to be issued hereunder the Company shall, if requested by any Noteholder and without unreasonable delay, cause to be prepared, executed and delivered to the Trustee definitive Notes which shall be engraved, lithographed, typewritten, mimeographed or printed.

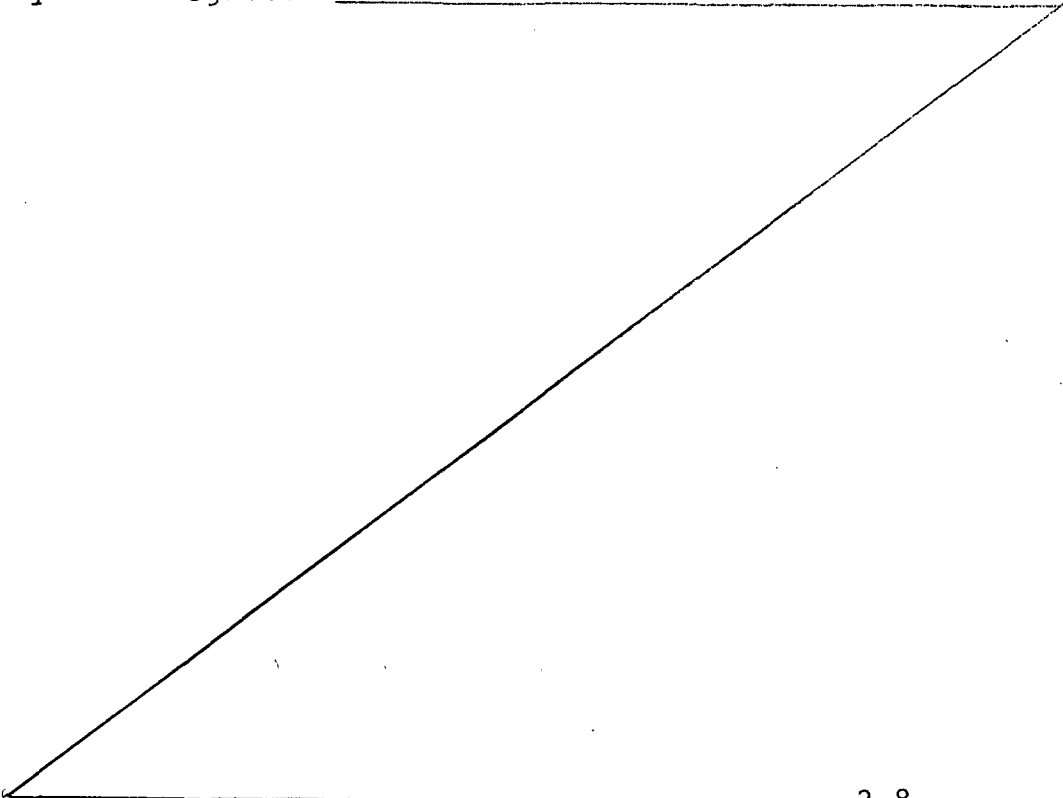
2.5. All Notes issued hereunder shall be fully registered as to both principal and interest.

Every Note certified upon an initial issue hereunder shall be dated the date of certification thereof. Every Note issued prior to the first interest payment date for the Notes in exchange or substitution for, or upon the transfer of, the whole or any part of one or more other Notes, shall be dated as of the date from which interest is payable on such other Note or Notes and every Note issued after said first interest payment date in exchange or substitution for, or upon the transfer of, the whole or any part of one or more other Notes, shall be dated as of the interest payment date next preceding the date of certification thereof to which interest has been paid on the Notes, unless the date of certification be an interest payment date to which interest has been paid, in which case it shall be dated as of the date of certification. Every Note shall bear interest from its date. Nevertheless in the case of any Note issued initially or upon exchange, substitution, transfer, or otherwise, if the dating of such Note as of the actual date of certification would result in the holder either losing or gaining interest, the Trustee shall date such Note such date, other than actual date of certification, as will prevent any such loss or gain, and such Note shall bear interest in accordance with the foregoing provisions of this Section.

2.6.

2.6. The Company shall at all times, while any Notes are outstanding, cause to be kept by and at the office of the Trustee in the City of Montreal, a register in which shall be entered the names and post office addresses of the holders of Notes and particulars of the Notes held by them respectively and in which transfers of such Notes shall be registered.

2.7. No transfer of a fully registered Note nor any transmission thereof by death shall be valid unless made on such register by the registered holder or by his executors, administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing, in form and as to execution satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee may prescribe, and upon surrender of such Note to the Trustee for cancellation, whereupon a new Note or Notes of the same aggregate principal amount and so registered shall be issued to the transferee in exchange therefor. The ownership of the Notes shall be proven by such register.



2.8.

2.8 The registered holder of a Note shall be deemed and regarded as the owner thereof for all purposes of this Deed and shall be entitled to the principal moneys and interest evidenced by such Note free from all equities or rights of set-off or counterclaim between the Company and his transferor or any previous holder thereof.

2.9 In case any Note issued and secured hereby shall become mutilated or be lost or destroyed, the Company shall issue and thereupon the Trustee shall certify and deliver to the person or persons whose name or names is, or are entered in the register referred to in Section 2.6. of this Section as holder or holders of such Note, a new Note of like tenor as the one mutilated, lost or destroyed, in exchange for and in place of and upon cancellation of such mutilated Note, or in lieu of and substitution for such lost or destroyed Note.

2.10. In the case of loss or destruction, the applicant for a substituted Note shall, as a condition precedent to the issue thereof, furnish to the Company and to the Trustee such evidence of ownership and of such loss or destruction as shall be satisfactory to the Company and to the Trustee, in their discretion, and such applicant shall also furnish indemnity in amount and form satisfactory to them in their discretion and shall pay the expenses which may be incurred by them and their reasonable charges in the premises, provided, that if such applicant shall be an insurance company with assets of at least \$10,000,000, the indemnity of such applicant in form reasonably satisfactory to the Company shall be sufficient.

2.11. All notices given hereunder to the Noteholders shall be deemed validly given if sent by registered mail, prepaid, addressed to such holders at their respective post office addresses appearing in the register above mentioned. Every such notice shall be deemed to have been given on the second business day following the day when it is posted.

2.12. The Notes shall be substantially in the form set out in Section 20 of this Deed, with such variations and additions, if any, as shall be

required;

required; be dated as provided in Section 2.5; mature September 1, 1989; bear interest (as well after as before maturity) from the date of their certification at the rate of ten and one-eighth per cent (10-1/8%) per annum payable semi-annually on the first days of March and September in each year, commencing on March 1, 1976, together with interest on all over due principal or interest to the extent legally enforceable at the rate of eleven and one-eighth per cent (11-1/8%) from its due date to date of actual payment; be issued as fully registered Notes in denominations of One thousand dollars (\$1,000) and multiples thereof; be numbered in such manner as the Company, with the approval of the Trustee, may determine; and shall be payable as to principal in semi-annual instalments on the first days of March and September in each year, commencing on March 1, 1976 and terminating on September 1, 1989; and shall not be prepayable except as hereinafter provided in Section 3. The principal amount of the Notes payable on each of the aforesaid instalment payment dates shall be calculated on such a basis that the aggregate of the principal and interest payable on each such date shall be substantially equal and such instalments of principal and interest will completely amortize the Notes. The Company will furnish to the Trustee and to each Noteholder a schedule showing the respective amounts of principal and interest payable on each such instalment payment date, which schedule shall be and be deemed to form part of the Notes issued and certified hereunder.

2.13. The principal of the Notes and the interest thereon and all sums which may at any time become payable thereon, whether at maturity, on a declaration, on prepayment or otherwise, shall be payable in lawful money of the United States of America at the principal office of the Trustee in the City of Montreal, Canada.

2.14. Notes of any authorized denomination may be exchanged for an equal aggregate principal amount of Notes in any other authorized denomination or denominations. All Notes tendered for exchange pursuant

to

to this Section shall be surrendered to the Trustee for cancellation.

2.15. The payment of instalments of principal and interest on the Notes or any prepayment of principal may be noted thereon as therein provided, provided, however, that prior to any sale, assignment or transfer of any Note, the holder thereof shall be required to make a notation of all payments or prepayments of principal and interest on such Note and such holder will not sell, assign, transfer or otherwise dispose of such Note unless prior to delivery thereof it shall surrender the same to the Trustee for verification of the notation thereon of the portion of the principal amount thereof and the interest thereon which shall have been paid.

The records of the Trustee shall be conclusive proof as to the amounts of principal and interest paid on or in respect of the Notes issued and outstanding under this Trust Deed. The Trustee shall however have no duty whatsoever with respect to any payments at any time made on or on account of the principal or interest on the Notes if such payments are made otherwise than by the Trustee.

SECTION 3

PREPAYMENT OF NOTES

3.1. Whenever any unit of the Equipment shall suffer a Casualty Occurrence the Company shall, promptly after it is informed of a Casualty Occurrence, notify the Trustee in writing with respect thereto. The Company shall (a) within its then current taxation year either (i) replace such unit of Equipment with another unit of railway equipment of the same or similar type and with a value not less than the Fair Market Value of such unit immediately prior to its suffering the Casualty Occurrence, or (ii) replace such unit of Equipment with other railway equipment having a value not less than the Fair Market Value of such unit immediately prior to its suffering the Casualty occurrence, and thereupon such other unit or such other

railway

railway equipment shall be and become part of the Equipment and be included in the Mortgaged Premises hereunder and be subject to all the terms and provisions hereof as if originally described in Section 21 hereof, or (b) on the March 1 or September 1 next following such notice by the Company (or, at the option of the Company, in the event such March 1 or September 1 shall occur within fifteen (15) days after notice of such Casualty Occurrence is given by the Company to the Trustee, on the following March 1 or September 1, as the case may be) the Company shall deposit or cause to be deposited with the Trustee an amount in cash equal to the Casualty Value of such unit of Equipment as of such March 1 or September 1, and, upon such payment, such unit shall be released and discharged of the charges created by this Deed. The rights and remedies of the Trustee to enforce or recover any of the Assigned Rentals which are due and payable prior to such March 1 or September 1 with respect to such unit of Equipment shall not be affected by reason of such Casualty Occurrence.

Of the cash deposited with the Trustee pursuant to this Section 3.1 an amount thereof which bears the same proportion to the aggregate principal amount of Notes at the time outstanding as the Original Cost of the unit of Equipment which has suffered the Casualty Occurrence bears to the total Original Cost of all of the Equipment then subject to the CN Lease, shall be applied to the pro rata prepayment on such March 1 or September 1 of each instalment of principal remaining unpaid on the Notes (in proportion to the principal amount represented by each such instalment), each of the Noteholders to share proportionately in such prepayment. The balance of any cash deposited with the Trustee pursuant to this Section 3.1 shall be paid over by the Trustee to the Company provided no event of default shall have occurred and be continuing hereunder. The Company will promptly furnish to the Trustee and each of the holders of the Notes then outstanding a revised schedule of payments of principal and interest thereafter to be made calculated as provided in Section 2.12. hereof. Such revised schedule of payments shall be and be deemed to form part of the Notes then outstanding in substitution for the schedule of payments replaced thereby.

3.2.

3.2. Notice of any such prepayment shall be given by the Trustee in the manner specified in Section 2.11. of this Deed.

3.3. In case any question shall arise as to whether any notice has been duly given and payment of the Casualty Value made as provided in Section 3.1. hereof, such question shall be decided by the Trustee, whose decision shall be final and binding upon all parties in interest.

SECTION

SECTION 4

CHARGING PROVISIONS

4.1. In consideration of the premises and One Dollar (\$1.00) to it in hand paid by the Trustee (receipt whereof is hereby acknowledged) and in pursuance of every power and authority it thereunto enabling and for the purpose of securing the payment in lawful money of the United States of America of all of the Notes and of the interest thereon and of all other sums, if any, from time to time due hereunder to the holders of the Notes the Company doth hereby, subject only to Permitted Encumbrances,

(a) hypothec, mortgage, pledge and charge as and by way of a first fixed and specific hypothec, mortgage, pledge and charge to and in favour of the Trustee and its successors in the trust as Trustee for the benefit of the holders of the Notes, for and with the payment of the sum of six million dollars (\$6,000,000) in lawful money of Canada and interest thereon at the rate of ten and one-eighth per cent (10-1/8%) per annum and payable as hereinbefore provided and for and with the payment of the additional sum of one million two hundred thousand dollars (\$1,200,000) to secure the due payment of all other sums, if any, from time to time due hereunder to the holders of the Notes, and

(b) cede and transfer for the same purposes to the Trustee and its successors in the trust as Trustee for the benefit of the holders of the Notes, and,

(c) grant, bargain, sell, convey, confirm, assign, release, transfer, mortgage, pledge and charge as and by way of a first fixed and specific mortgage to and in favour of the Trustee and its successors in the trust, as Trustee for the benefit of the holders of the Notes

all

all present and future Assigned Rentals and all right, title and interest of the Company, in, to and under the CN Lease and the Equipment.

4.2. To have and to hold the Mortgaged Premises and the hypothecs, mortgages, pledges and charges and cessions and transfers thereof hereunder and all rights hereby conferred unto the Trustee, its successors and assigns, but in trust, nevertheless, for the benefit and security of all the holders of all Notes issued and to be issued hereunder without any preference or priority of any of said Notes over any others thereof, by reason of priority at the time of issue or negotiation thereof, or otherwise howsoever, and subject to the conditions, provisions, covenants and stipulations herein expressed.

4.3. The hypothecs, mortgages, pledges and charges and cessions and transfers hereby made and created shall be and have effect whether or not the moneys thereby secured shall be advanced before or after or at the same time as, the issue of any of the Notes intended to be thereby secured, or the advance of the moneys thereby secured, or any part thereof, or before or after, or upon the date of the execution of these presents.

4.4. The Company shall forthwith, and from time to time, execute and do all deeds, documents and things which in the opinion of the legal advisers of the Trustee are necessary or advisable for giving the Trustee the security intended to be created by this Deed, and for conferring upon the Trustee such powers of sale and other powers over the Mortgaged Premises as are hereby expressed to be conferred.

SECTION 5

POSSESSION, USE AND RELEASE OF MORTGAGED PREMISES

5.1. Until the security hereof shall become enforceable, the Company may (subject to the terms of this Deed) possess, manage, operate, deal in and with and enjoy the Mortgaged Premises in the same manner and to the same extent as though this Deed had not been executed.

5.2.

5.2. The Company shall cause all Assigned Rentals to be paid directly to the Trustee. The Assigned Rentals shall be applied by the Trustee (subject as provided in Section 3 with respect to pre-payment) against the instalment of principal and interest next falling due on the Notes and any excess shall be paid over to the Company by the Trustee.

5.3. The Company shall not be obliged to insure or cause to be insured the Equipment.

SECTION 6

NO NOVATION

6.1. Neither receipt by the Trustee nor any application whatsoever by the Trustee of the proceeds of any policy of insurance paid in respect of the Mortgaged Premises shall operate as payment or novation of the Company's indebtedness under the Notes or hereunder or as a reduction of the hypothecs, mortgages, pledges and charges hereby created, notwithstanding any law, usage or custom to the contrary.

SECTION 7

CERTAIN COVENANTS BY THE COMPANY

THE COMPANY HEREBY COVENANTS AND AGREES:

7.1. That the Company is the absolute owner of the Mortgaged Premises subject to no liens or encumbrances whatsoever other than Permitted Encumbrances, that it has good right and lawful authority to hypothecate, mortgage, pledge and charge and cede and transfer the same as provided in and by this Deed, and that it will warrant and defend the title hereto and every part thereof against the claims and demands of all persons whatsoever, the whole however subject to the rights of Canadian National Railway Company pursuant to the CN Lease.

7.2 That the Company shall diligently maintain, use and operate or shall cause to be maintained, used and operated, the Mortgaged Premises and shall carry on and conduct, or cause to be carried on and conducted its business in a proper and efficient manner so as to preserve and protect the Mortgaged Premises

and

and the earnings, income, rents, issues and profits thereof and shall keep, or cause to be kept, proper books of accounts and make, or cause to be made, therein true and faithful entries of all dealings and transactions in relation to its business and at all reasonable times furnish, or cause to be furnished, to the Trustee or its duly authorized agent or attorney such information relating to its business as the Trustee may reasonably require, and such books of account shall at all reasonable times be open for inspection by the Trustee or such agent or attorney as the Trustee shall from time to time by instrument in writing for that purpose appoint.

7.3. That the Company shall well, duly and punctually pay or cause to be paid to every Noteholder the principal and interest of and on the Notes of which he is the holder at the dates and places in the moneys and in the manner mentioned or provided for herein and in the Notes.

7.4. That the Company shall perform all of its obligations under the CN Lease.

7.5. That the Company shall from time to time pay or cause to be paid all rents, taxes, rates, levies, assessments, ordinary or extra-ordinary, government fees or dues lawfully levied, assessed or imposed upon the Mortgaged Premises or any part thereof and upon the income and profits of the Company as and when the same become due and payable, and that it shall exhibit or cause to be exhibited to the Trustee when required the receipts and vouchers establishing such payment and shall not suffer any workmen's, suppliers', builders' or other privileges or rights of retention to remain outstanding upon the Mortgaged Premises or any part thereof.

7.6. That, with all convenient speed after the execution of this Deed, the Company shall register these presents at every office where, in the opinion of counsel for the Trustee the registration thereof may by law be required to secure or to perfect the charge hereof upon the present or future property intended to be charged hereunder and also wherever else, in the judgment of the Trustee, it may be of advantage

or

or necessary to the security hereby created, and that it shall deliver or exhibit to the Trustee, on demand certificates establishing such registration, and the same from time to time renew, if such renewal is necessary, in the opinion of the Trustee, to effectuate or maintain the security hereby created.

7.7. That the Company shall fully and effectually maintain and keep maintained the security hereby created as a valid and effective security at all times so long as any Notes are outstanding hereunder and that it will not, save for Permitted Encumbrances, create or suffer to be created or have outstanding on the Mortgaged Premises any hypothec, mortgage, pledge, privilege, lien or charge, but it shall not be required to pay or discharge any such hypothec, mortgage, pledge, privilege, lien or charge so long as it shall in good faith and by appropriate proceedings contest the validity thereof, unless thereby, in the judgment of the Trustee, the security constituted by this Deed will be materially endangered. The Trustee may require the Company to give security to the satisfaction of the Trustee for the due payment or discharge of any such hypothec, mortgage, pledge, privilege, lien or charge in case it shall be held to be valid.

7.8. That, subject to the express provisions of the CN Lease respecting Casualty Occurrences and the alternatives available to the lessee in such connection, the Company shall at all times preserve and keep or cause to be kept in repair and good order and condition, or cause to be so preserved, repaired and kept in repair and good order and condition, all the Equipment up to a modern standard of usage, and renew and replace, or cause to be renewed and replaced, all and any of the same which may become worn, dilapidated, unserviceable, obsolete, or destroyed even by a fortuitous event, fire, collision, theft or other cause and at all reasonable times allow the Trustee or its representative the right to inspect the Mortgaged Premises in order to view the state and condition the same are in.

7.9. That it shall pay to the Trustee reasonable remuneration for its services as Trustee hereunder

and

and shall repay to the Trustee on demand all moneys which shall have been paid by the Trustee for all expenditures whatever which the Trustee may reasonably incur in and about the execution of the trust hereby created.

7.10. If the Company shall fail to perform any of the covenants or fulfil any of the conditions contained in this Deed or in the Notes, the Trustee may in its discretion perform any of the said covenants or fulfil any such condition capable of being performed by it and, if any such covenant or condition requires the payment or expenditure of money, it may make such payments or expenditures with its own funds, or with money borrowed by or advanced to it for such

purpose

purpose, but shall be under no obligation so to do; and all sums so expended or advanced shall be at once payable by the Company and shall bear interest at the rate of ten and one-eighth per cent (10-1/8%) per annum until paid, and shall be secured hereby, having the benefit of the charges hereby created in priority to the indebtedness evidenced by the Notes and interest, but no such performance or payment shall be deemed to relieve the Company from any default hereunder.

7.11. That it will at all times maintain its corporate existence and, subject to all the provisions herein contained, will diligently preserve all the rights, powers, privileges and goodwill owned by it.

7.12. Nothing contained in this Deed shall render the Trustee liable to the lessee under the CN Lease for the fulfilment of any and all obligations of the Company under the CN Lease and the Company shall indemnify and hold harmless the Trustee against all claims or demands of such lessee.

7.13. That if it should be in default hereunder at any time it will not while such default shall continue sell, charge or otherwise dispose of any of the Notes secured hereby; provided, however, that in the event of any Notes being issued, reissued or substituted without the knowledge of the Trustee during the continuance of such default or after maturity thereof and being treated by the Trustee as entitled to the benefit hereof, the Trustee shall not thereby incur any responsibility.

SECTION 8

EVENTS OF DEFAULT

8.1. The security hereby constituted shall become enforceable, subject to the terms hereinafter contained, if and when one or more of the following events (herein sometimes called "events of default") shall happen, that is to say:-

8.1.1.

8.1.1. Default shall be made in the payment of the principal of any of the Notes when the same becomes due and payable, either by the terms thereof or otherwise; or

8.1.2. Default shall be made in the payment of any interest due on any of the Notes issued hereunder and such default shall have continued for a period of ten (10) days; or

8.1.3. A decree or order of a court having jurisdiction in the premises shall have been entered declaring the Company a bankrupt or appointing a custodian under the Bankruptcy Act in respect of the Company's properties; or an order of a court having jurisdiction in the premises shall have been entered or an effective resolution passed for the winding-up or liquidation of the business and affairs of the Company or the Company shall institute proceedings to be adjudicated a voluntary bankrupt or shall make an assignment for the benefit of its creditors or if a receiver or receiver and manager or a sequestrator shall be appointed of the Company or of the Mortgaged Premises or any part thereof, or if an encumbrancer shall take possession of the Mortgaged Premises or any part thereof which is, in the opinion of the Trustee, a substantial part thereof; or

8.1.4. Any process of execution be enforced or levied upon any of the property of the Company and remain unsatisfied for a period of two (2) weeks, as to moveable or personal property, or three (3) weeks, as to immoveable or real property, provided that such process is not in good faith disputed by the Company and, in that event, provided further that non-payment shall not in the judgment of the Trustee jeopardize or impair the security hereby created and that the Company shall also give security which, in the discretion of the Trustee, shall be sufficient to pay in full the amount claimed in the event that it shall be held to be a valid claim; or

8.1.5.

8.1.5. If save for Permitted Encumbrances, the Company shall at any time hereafter, create or suffer to exist or purport or attempt to create any mortgage, hypothec, pledge, charge or other encumbrance upon the Mortgaged Premises, or any part thereof; or

8.1.6. Default shall be made in the due observance or performance of any other covenant or condition in this Deed required to be observed or performed by the Company and any such default shall continue for a period of thirty (30) days after notice received by the Company from the Trustee specifying such default and requiring the Company to rectify such default or shall continue for such shorter period of time as would at any time, if continued, render any substantial part of the property of the Company liable to forfeiture; or

8.1.7. If there shall be an event of default under the CN Lease.

8.2. Any notice as aforesaid may be given by the Trustee on its own initiative and shall be given upon receipt by it of a Noteholders' Instrument directing it to do so.

SECTION 9

IN CASE OF DEFAULT

9.1. In case the security hereby constituted shall become enforceable as herein provided, the Trustee may in its discretion and shall, upon receipt of the written request to do so by Noteholders' Instrument, declare the principal of all Notes then outstanding and other moneys secured hereby to be due and payable and the same shall forthwith become immediately due and payable to the Trustee on demand,

anything

anything therein or herein contained to the contrary notwithstanding, and the Company shall on such demand forthwith pay to the Trustee for the benefit of the holders of the Notes secured, the principal of all of the Notes then outstanding and all other moneys secured hereby, and such payment when made shall be deemed to have been made in discharge of its obligations hereunder, and any moneys so received by the Trustee shall be applied in the same manner as if they were the proceeds of a sale of the Mortgaged Premises.

9.2. In the event of the security hereunder becoming enforceable, the Noteholders by Noteholders' Instrument shall have power to require the Trustee to waive the default, and in such event the Trustee shall thereupon waive the default unconditionally or upon such terms and conditions as such holders shall prescribe or the Noteholders shall have power by Noteholders' Instrument to direct the Trustee to cancel any declaration made by it pursuant to the provisions of Section 9.1. provided always that no act or omission either of the Trustee or of the Noteholders shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom.

9.3. In case the security hereby constituted shall become enforceable as herein provided, the Trustee may in its discretion and, upon receipt of the written request to do so by Noteholders' Instrument, shall, by its officers, agents or attorneys, enter into and upon and take possession of all or any part of the Mortgaged Premises (subject to the rights of the lessee under the CN Lease), with full power to administer the CN Lease, including the power to borrow moneys or advance its own moneys for such purpose and the maintenance and preservation of the Mortgaged Premises or any part thereof, the payment of taxes, wages and other charges ranking in priority to the Notes and current operating expenses incurred not more than sixty (60) days prior to such taking of possession (and moneys so borrowed or advanced shall be

repaid

repaid by the Company on demand and until repaid shall, with interest thereon at the rate of ten and one-eighth per cent (10-1/8) per annum, be a charge upon the Mortgaged Premises in priority to the said Notes, and to receive the revenues, incomes, issues and profits of the Mortgaged Premises (including, without limitation the Assigned Rentals and all other amounts payable pursuant to the CN Lease), and to pay therefrom all the expenses, charges and advances of the Trustee in administering the CN Lease and carrying on the said business operations or otherwise, and all taxes, assessments and other charges against the Mortgaged Premises ranking in priority to the Notes, or payment of which may be necessary to preserve the property, and to apply the remainder of the moneys so received in the same manner as if the same arose from a sale or realization of the Mortgaged Premises; provided that the Trustee shall, upon the removal or waiver of all default hereunder, restore the said Mortgaged Premises to the Company, and pay to it any balance of income so received after such payment of all amounts due to or properly payable to the Trustee hereunder in priority to the Notes, and in case of any such return of the Mortgaged Premises to the Company, the security hereby constituted shall no longer be deemed to have become enforceable by reason of the default or defaults which theretofore existed, but the rights to arise upon a subsequent default shall not be affected thereby.

9.4. In case the security hereby constituted shall have become enforceable as herein provided, and the Company shall have failed to pay the Trustee, on demand, the principal of all Notes outstanding together with any other amounts due hereunder or on the Notes, the Trustee may in its discretion (subject to the CN Lease) either after such entry, as aforesaid, or after other entries by its officers or agents, or without any entry, sell and dispose of, and upon like request as set forth in the next preceding section the said Trustee shall sell and dispose of all the Mortgaged Premises at such time and on such terms and conditions (but subject as aforesaid) as the Trustee shall fix either (i) at public auction or by tender at such

time

time and on such terms and conditions, subject as aforesaid, as the Trustee shall appoint, having first given such notice of the time and place of such sale as it may think proper or (ii) by private sale without prior or any notice. It shall be lawful for the Trustee to make any such sale, either for cash or upon credit, upon such reasonable conditions as to terms of payment and, in the case of any such sale at public auction or by tender, as to upset or reserve bid or price, as it may deem proper, to rescind or vary any contract of sale that may have been entered into, and re-sell with or under any of the powers conferred herein, to adjourn any such sale from time to time, and to execute and deliver to the purchaser or purchasers of the Mortgaged Premises good and sufficient deed or deeds for the same, the Trustee being hereby constituted the irrevocable attorney of the Company for the purpose of making such sale and executing such deeds, and any such sale made as aforesaid shall be a perpetual bar both in law and equity against the Company and its assigns and all other persons claiming the Mortgaged Premises or any part or parcel thereof, by, from, through, or under the Company or its assigns, save and except the rights of the lessee under the CN Lease, and the proceeds of any such sale shall be distributed in the manner hereinafter provided.

The Trustee, or any one or more of the Noteholders or any agent or representative thereof, may become purchasers at any sale of the Mortgaged Premises whether made under the power of sale herein contained or pursuant to foreclosure or other judicial proceedings.

9.5. The Company binds and obliges itself to yield up possession of the Mortgaged Premises and the conduct of its business in connection therewith to the said Trustee on demand whenever the said Trustee shall have a right of entry under the foregoing provisions of this Section 9 and agrees to put no obstacles in the way of, but to facilitate by all legal means, the actions of the Trustee hereunder and not to interfere with the carrying out of the powers hereby granted to it, and the Company shall forthwith by

and

and through its officers and directors, execute such documents and transfers as may be necessary to place the Trustee in legal possession of the Mortgaged Premises and business of the Company in connection therewith and thereupon all the powers and functions, rights, and privileges of each and every of the Directors and officers of the Company shall cease and determine with respect to the Mortgaged Premises, unless specially continued in writing by the Trustee, or unless the property shall have been restored to the Company as hereinbefore in this Section 9 provided.

9.6. Except as herein otherwise expressly provided, the moneys arising from any sale or realization of the Mortgaged Premises whether under any sale by the Trustee or by judicial process or otherwise, shall be applied, together with any other moneys then in the hands of the Trustee available for such purpose, in the first place to pay or reimburse to the Trustee the costs, charges, expenses, borrowings, advances and compensation of the Trustee in or about the execution of its trust or otherwise in relation to these presents with interest thereon as herein provided, and the residue of the said moneys shall be applied:

9.6.1. to the payment equally and rateably of the whole amount then owing and unpaid for principal of and interest upon the Notes hereby secured, and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal and interest, without preference or priority of principal over interest or of interest over principal, or of any instalments of interest over any other instalment of interest, rateably to the aggregate of such principal and accrued and unpaid interest;

9.6.2. the surplus, if any, of such moneys shall be paid to the Company or its assigns.

9.7. The Trustee shall have the right at the time it makes any payment required by this Section 9 to demand of the person claiming such payment the

production

production of the actual Note under which it claims such payment be made, and shall cause to be endorsed on the same a memorandum of the amount so paid and the date of payment, but the Trustee may in its discretion dispense with such production and endorsement in any special case, upon such indemnity being given as it shall deem sufficient, provided, that if such applicant shall be an insurance company with assets of at least \$10,000,000, the indemnity of such applicant in form reasonably satisfactory to the Company shall be sufficient.

9.8. Upon any such sale of the Mortgaged Premises, whether made under the power of sale herein contained, or pursuant to foreclosure or other judicial proceedings, the principal of all the Notes issued hereunder and then outstanding if not previously declared due, shall immediately become due and payable, anything in the Notes or in this Deed to the contrary notwithstanding.

9.9. The Company hereby irrevocably appoints the Trustee to be the attorney of the Company for and in the name and on behalf of the Company to execute and do any deeds, documents, transfers, conveyances, assignments, assurances, consents, and things which the Company ought to sign, execute and do hereunder and generally to use the name of the Company in the exercise of all or any of the powers hereby conferred on the Trustee with full powers of substitution and revocation.

9.10. The Trustee shall have the right in its discretion to proceed in its name as Trustee hereunder in the enforcement of the security hereby constituted by any remedy provided by law, whether by legal proceedings or otherwise but it shall not be bound to do or to take any act or action in virtue of the powers conferred on it by these presents unless and until it shall have been required so to do by Noteholders' Instrument defining the action which it is required to take, and the Trustee may, before taking such action, require such Noteholders to deposit with the Trustee the Notes held by them for which Notes the Trustee shall issue receipts. The obligation of the Trustee to commence or continue any act, action or proceedings for the purpose of realizing upon the Mortgaged Premises or for the enforcement of any covenant or obligation under or arising out of these presents or of the Notes

Notes shall, at the option of the Trustee, be conditional upon the Noteholders or any one or more of them furnishing, when required in writing by the Trustee, Trustee's Indemnification.

9.11. The Trustee shall not be responsible or liable, otherwise than as a Trustee, for any debts contracted by it, for damages to persons or property or for salaries or non-fulfilment of contracts during any period wherein the Trustee shall manage the Mortgaged Premises upon entry, as herein provided, nor shall the Trustee be liable to account as a mortgagee in possession or for anything except actual receipts or be liable for any loss on realization, and the Trustee shall not be bound to do, observe or perform or to see to the observance or performance by the Company of any of the obligations or covenants herein imposed upon the Company nor in any way to supervise or interfere with the conduct of the Company's business, unless, and until the security hereby created has become enforceable and the Trustee shall have become bound to enforce the same and shall have been kept supplied with moneys reasonably necessary to provide for the expenses of the required action and with satisfactory indemnity as aforesaid.

9.12. No person dealing with the Trustee or its agents shall be concerned to enquire whether the security hereby constituted has become enforceable, or whether the powers which the Trustee is purporting to exercise have become exercisable, or whether any money remains due upon the security of these presents or the Notes, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or of any other dealing by the Trustee with the Mortgaged Premises or to see to the application of any money paid to the Trustee, and, in the absence of fraud on the part of such person, such dealing shall be deemed, so far as regards the safety and protection of such person, to be within the powers hereby conferred and to be valid and effectual accordingly.

9.13.

9.13. If the security hereby created shall become enforceable, the Trustee may in its discretion and, upon receipt of the written request to do so by Noteholders' Instrument, shall by writing appoint a receiver or manager or receiver and manager of the Mortgaged Premises, or any part thereof, and may remove any receiver or manager or receiver and manager so appointed by it and appoint another in his stead and the following provisions shall take effect:-

Such appointment may be made at any time after the security shall have become enforceable and either before or after the Trustee shall have entered into or taken possession of the Mortgaged Premises or any part thereof but such appointment shall be revoked upon the direction in writing of the Noteholders by Noteholders' Instrument;

Every such receiver or manager or receiver and manager may be vested with all or any of the powers and discretions of the Trustee;

Such receiver or manager or receiver and manager may carry on the business of the Company relating to the Mortgaged Premises or any part thereof and may exercise all the powers conferred upon the Trustee by Section 9 hereof;

The Trustee may from time to time fix the remuneration of every such receiver or manager or receiver and manager and direct the payment thereof out of the Mortgaged Premises or the proceeds thereof;

The Trustee may from time to time require any such receiver or manager or receiver and manager to give security for the performance of his duties and may fix the nature and amount thereof, but it shall not be bound to require such security;

Every such receiver or manager or receiver and manager may, with the consent in writing of the Trustee and the written consent of the holders of the Notes then outstanding as evidenced by a Noteholders' Instrument, borrow money for the purpose of carrying on the business of the Company relating to the Mortgaged Premises or for the maintenance of the Mortgaged Premises or any part or parts thereof or for any

other

other purposes approved by the Trustee and said holders, and may issue certificates (herein called "Receiver's Certificates") for such sums as will in the opinion of the Trustee and said holders be sufficient for obtaining upon the security of the Mortgaged Premises the amounts from time to time required, and such Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times as to the Trustee may appear expedient, and shall bear interest as shall therein be declared, and the receiver or manager or receiver and manager or the Trustee may sell, pledge or otherwise dispose of the same in such manner as to the Trustee may seem advisable and may pay such commission on the sale thereof as to it may appear reasonable, and in the name of and as attorney for the Company may hypothecate, mortgage, pledge, charge or otherwise grant security upon the whole or any part of the Mortgaged Premises, in priority over the security created hereunder, as security for the repayment of the moneys borrowed upon such Receiver's Certificates, and interest thereon, which security may be granted either at the time of or subsequent to the borrowing of said moneys, and said moneys shall be secured by the security created hereby and shall be a first charge upon the Mortgaged Premises in priority to the Notes; provided always that in the exercise of the powers and duties conferred upon the Trustee by this Section the Trustee shall be bound to observe and act in accordance with the written directions and instructions of the holders of the Notes then outstanding, as evidenced by Noteholders' Instrument, if and whenever any such directions or instructions shall be given;

Save so far as otherwise directed by the Trustee, all moneys from time to time received by such receiver or manager or receiver and manager shall be paid over to the Trustee to be held by it on the trusts of these presents;

Every such receiver or manager or receiver and manager shall so far as concerns responsibility for his acts and omissions be deemed the agent of the Company and not of the Trustee.

9.14. No remedy herein conferred upon or reserved to the Trustee, or upon or to the holders of Notes hereby secured, is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or by statute.

9.15. The Company covenants and agrees to and with the Trustee that in case of any foreclosure proceedings or other proceedings to enforce the security hereby created, judgment may be rendered against it in favour of the Noteholders hereunder or in favour of the Trustee, as trustee of an express trust for the Noteholders hereunder for any amount which may remain due in respect of the Notes secured hereby and the interest thereon, after the application to the payment thereof of the proceeds of any sale of the property covered hereby.

SECTION 10

CONCERNING THE TRUSTEE

10.1. By way of supplement to the provisions of the laws of the Provinces of Canada for the time being relating to trustees, it is expressly declared as follows, that is to say:

10.1.1. That the Trustee may execute any of the trusts or powers imposed or conferred upon it hereby, and perform any duties required of it, by or through attorneys or agents, and may in relation to these presents act on the opinion or advice of or information obtained from any lawyer, valuer, surveyor, broker, auctioneer, or other expert, whether obtained by the Trustee or by the Company or otherwise, and shall not be responsible for any loss occasioned by acting or not acting thereon, and shall be entitled to take legal or other advice and employ such assistance as may be necessary to the proper discharge of its duties and to pay proper and reasonable compensation to such

agents

agents and attorneys for all such legal and other advice or assistance as aforesaid.

10.1.2. That the Trustee shall only be accountable for reasonable diligence in the management of the trusts hereof, and shall only be liable for its own wilful acts and defaults.

10.1.3. That the Trustee, except as herein otherwise provided, shall as regards all the trusts, powers, authorities and discretions vested in it have absolute and uncontrolled discretion as to the exercise thereof, whether in relation to the manner or as to the mode and time for the exercise thereof, and in the absence of fraud, it shall be in no way responsible for any loss, costs, damages or inconvenience that may result from the exercise or non-exercise thereof.

10.1.4. That the Trustee shall not be liable for or by reason of any failure or defect of title to or any encumbrance upon the Mortgaged Premises, or for or by reason of the statements of facts or recitals in this Trust Deed or in the Notes contained, or be required to verify the same; but all such statements and recitals are and shall be deemed to have been made by the Company only, and it shall not be the duty of the Trustee, and nothing herein contained shall in any way cast any obligation upon the Trustee, to see to the registration or filing or renewal of this Trust Deed or any other deed or writing by way of hypothec, mortgage, charge or bill of sale upon the Mortgaged Premises or any part thereof, or upon any other property of the Company, or to procure any local hypothec, mortgage, charge or other additional instrument of further assurance, or to do any other act for the continuance of the lien or charge hereof, or for giving notice of the existence of such lien or charge, or for extending or supplementing the same, or to insure or keep insured, against loss or damage by fire or

otherwise

otherwise, the Mortgaged Premises or any part thereof or the properties of any other company controlled by the Company, or to keep itself informed or advised as to the payment by the Company of any taxes or assessments or premiums of insurance or other payments which the Company or any company controlled by it should make or to require such payments to be made.

10.1.5. That the Trustee may for the execution of the duties and powers conferred upon it hereunder appoint or employ, attorneys, bankers, receivers, lawyers, agents or other persons, but the Trustee shall not be responsible for any misconduct on the part of any such attorney, banker, receiver, lawyer, agent or other person appointed by it hereunder, or bound to supervise the proceedings of any such other appointee.

10.1.6. That the Trustee shall not be bound to give notice to any person or persons of the execution hereof or of the lien and charge of these presents unless and until the security hereby constituted shall have become enforceable and the Trustee shall have determined or become bound to enforce the same.

10.1.7. That the Trustee shall not be responsible for the moneys subscribed by applicants for or purchasers of the Notes or be bound to see to the application thereof.

10.1.8. That, in the event of the Company making an authorized assignment or a Custodian, Trustee or Liquidator in respect to the Company's properties being appointed under the Bankruptcy Act or the Winding-Up Act, or in the event of the Company making a compromise or arrangement under the Companies' Creditors Arrangement Act, the Trustee, if directed to do so by Noteholders' Instrument may, in bankruptcy or winding-up proceedings or proceedings under the Companies' Creditors Arrangement Act, and as Trustee and on behalf of the Noteholders, file and prove a

claim

claim, value security and vote and act at all meetings of creditors and otherwise in such proceedings as directed.

10.1.9. That the Trustee shall, subject only to the provisions of Section 9.10. hereof, be obliged to act and shall act and be fully protected in acting upon the instructions, requests or directions of the Noteholders given by Noteholders' Instrument in connection with any proceedings, act, power, right, matter or thing relating to or conferred by or to be done under this Deed.

10.1.10. The Trustee may from time to time delegate to any company or person the performance of any of the trusts and powers vested in it by these presents and the Trustee shall not be in any way responsible for any loss incurred by the misconduct or default of any such delegate or as a result of such delegation.

10.1.11. If requested by the Noteholders or by those to whom the Notes have been assigned or pledged, the Trustee shall be obliged to give to those requesting or to their officers or authorized agents, free access to and communication of the Trustee's records relating to these presents and all matters connected therewith.

SECTION 11

SUITS AND PROCEEDINGS BY TRUSTEE AND NOTEHOLDERS

11.1. All rights of action under this Trust Deed may be enforced by the Trustee without the possession of the Notes hereby secured or the production thereof at the trial or other proceedings relative thereto.

11.2. The Trustee shall have power to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to

prevent

prevent any impairment of the security hereunder by any acts of the Company, or of others, in violation of this Trust Deed or unlawful, or as the Trustee may be advised shall be necessary or expedient to preserve and to protect its interests and the security and interests of the Noteholders in respect of the Mortgaged Premises or income, earnings, rents, issues and profits thereof.

11.3. No delay or omission of the Trustee, or of any holder of the Notes secured hereby, to exercise any right or power accruing upon any default continuing as aforesaid, shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given hereby to the Trustee or to the Noteholders may be exercised by it and/or them from time to time and as often as may be deemed expedient by it and/or them.

SECTION 12

APPOINTMENT OF NEW TRUSTEE

12.1. Any Trustee may at any time resign office by not less than three months' notice in writing to the Company, or by such shorter notice as the Company may be willing to accept, and the Company, may, subject as herein provided, at any time appoint in writing a new Trustee, approved by Noteholders' Instrument, in the place of any Trustee so resigning, becoming bankrupt or going into liquidation or otherwise becoming unfit to act or desiring to be discharged from the trusts hereof; and in the event of the Company failing so to do within five (5) days after being thereunto requested or, if such vacancy occur after default, such appointment shall be made by the Noteholders by Noteholders' Instrument, who shall also have the power by a similar instrument to remove at any time the Trustee and to appoint a new Trustee. Any such new Trustee without further act shall be vested and have all the property, right, powers and authority granted

to

to the Trustee hereunder and be subject in all respects to the terms, conditions and provisions hereof. And it is agreed that the Trustee hereunder shall always be a Trust Company having capacity and power to administer the trusts hereof and having an office in the City of Montreal.

12.2. Any company into which the Trustee may be merged or with which it may be consolidated or amalgamated, or any company resulting from any merger, consolidation or amalgamation to which the Trustee shall be a party, shall be the successor Trustee under this Deed without the execution of any instrument or any further act.

SECTION 13

INVESTMENT OF TRUST MONEYS

13.1. Unless otherwise provided in this Deed, any moneys held by the Trustee, which under the trusts of these presents may or ought to be invested, shall be invested and reinvested by the Trustee in its name or under its control in any bonds or obligations which are a direct obligation of the Government of Canada or of any Province thereof or shall be placed by the Trustee on deposit at interest at the current bank rate in some chartered bank in Canada or, with the consent of the Directors, may be held by the Trustee subject to the payment of interest at such rate as may be agreed upon by the Trustee and the Company.

SECTION 14

IMMUNITY OF OFFICERS, SHAREHOLDERS AND DIRECTORS

14.1. No recourse under or upon any obligation, covenant or agreement contained in this Deed or in any Note or under any judgment obtained against the Company, or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances under or independently of this Deed,

shall

shall be had against any shareholder, officer or director, past, present or future, of the Company or of any successor company, either directly or through the Company or otherwise, for the payment for or to the Company or any receiver, liquidator, trustee or sequestrator thereof or for or to the holder of any Note issued or secured hereunder, or otherwise, of any sum that may be due and unpaid by the Company upon any such Note, and any and all personal liability of every kind and nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such shareholder, officer or director on account of the Notes and indebtedness represented thereby, by reason of any insufficiency or insufficiencies in the payment of any shares of the capital stock of the Company, is hereby expressly waived and released as a condition of and as part of the consideration for the execution of this Deed and the issue of the Notes. Nothing herein or in the Notes contained shall be taken, however, to prevent recourse to and the enforcement of the liability of any shareholder of the Company for uncalled capital, or the liability of any such shareholder upon unsatisfied calls or upon shares not fully paid up.

SECTION 15

DEFEASANCE

15.1. These presents and the estate and rights hereby granted shall cease, determine and be void and the Trustee shall at the request and at the expense of the Company cancel and discharge the charges of this Deed and execute and deliver to the Company such deeds or other instruments as shall be requisite to satisfy the charges hereof and to effect the cancellation of the registration hereof and to reconvey to the Company the Mortgaged Premises free and clear of the charges of this Deed, if the Company shall have first satisfied the Trustee that it has paid or made due provision satisfactory to the Trustee for the payment of all of the principal moneys and interest

due

due or to become due on all the Notes outstanding hereunder, at the time and in the manner therein and herein provided, and also all other moneys payable hereunder by the Company or shall surrender or cause to be surrendered to the Trustee for cancellation all of the Notes and shall in any case pay all sums due or accruing due to the Trustee hereunder. Notes for the payment of which money shall have been set apart by or paid to the Trustee in conformity with the provisions of this Deed shall be deemed to be paid within the meaning of this Section.

The registrar of any registration division in which any properties affected by this Deed are situate shall radiate and discharge and cancel the registration of any hypothec, mortgage, pledge or charge or cession and transfer created hereby or hereafter created under the provisions hereof upon the registration of any acquittance, discharge, release, main-levee or document to that effect signed by the Trustee, without being obliged to see that any of the conditions of this Deed have been fulfilled.

SECTION 16

ACCEPTANCE BY TRUSTEE

16.1. The Trustee hereby accepts the trusts in this Trust Deed declared and provided and agrees to perform the same upon the terms and conditions herein set forth.

SECTION 17

CORRECTION OF ERRORS

17.1. The Company and the Trustee may correct typographical, clerical or other manifest errors in this Deed, provided that such correction shall in the opinion of the Trustee in no way prejudice the

rights

rights of the Trustee or the Noteholders hereunder, and the Company and the Trustee may execute all such documents as may be necessary to correct such errors.

SECTION 18

NOTARIAL DEED

18.1. The Company, in conformity with the laws of the Province of Quebec, in which part of the Mortgaged Premises is situate, has signed and executed or will sign and execute in notarial form a Trust Deed of Hypothec, Mortgage and Pledge hypothecating, mortgaging, pledging and charging and ceding and transferring the Mortgaged Premises in the manner herein provided as security for the Notes, such Deed being substantially in the same tenor and to the same effect as this Deed of Trust and Mortgage, both the said Deeds constituting and to be read as one instrument.

SECTION 19

FORMAL DATE

19.1. This Deed may be referred to as bearing formal date of November 1, 1975 notwithstanding the actual date of its execution.

SECTION 20

FORM OF NOTES

The following is the form of the Notes:

CANADA

PROVINCE OF QUEBEC

PETERSON, HOWELL & HEATHER (CANADA) LIMITED

(Incorporated under the Laws of Canada)

10-1/8% SECURED EQUIPMENT NOTE

No.

No.

\$

PETERSON, HOWELL & HEATHER (CANADA) LIMITED (hereinafter called the "Company"), for value received promises to pay to the registered holder hereof on or before September 1, 1989, in instalments as hereinafter provided, or on such earlier date as the principal moneys become payable in accordance with the provisions hereof and of the Trust Deed hereinafter mentioned,

Dollars (\$),

in lawful money of the United States of America, at the principal office of The Royal Trust Company in the City of Montreal, Canada, and to pay interest thereon (as well after as before maturity) from the date hereof, at the same place, in like money as aforesaid, at the rate of 10-1/8% per annum, on the first day of March and September in each year, commencing on March 1, 1976, together with interest on all overdue principal or interest to the extent legally enforceable at the rate of 11-1/8 per cent per annum.

The principal hereof shall be due and payable in semi-annual instalments on March 1 and September 1 in each year, commencing on March 1, 1976 and terminating on September 1, 1989, calculated as provided in the Trust Deed, so that the aggregate of the principal and interest payable on each such instalment payment date shall be substantially equal and such instalments shall completely amortize the principal; provided however that in calculating the principal payable on the Notes on March 1, 1976 it shall be assumed, for the sake of such calculation only, that interest has accrued thereon for a full six month period. Such payments of principal shall be subject to prepayment as set forth in the Trust Deed. The Company has covenanted in the Trust Deed to furnish to the Trustee thereunder and to the holder hereof a schedule of instalment payments of principal and interest and any revised schedule which may be required in the event of prepayment of principal, such schedule or revised schedule, as the case may be, to be and be deemed to form part of this Note.

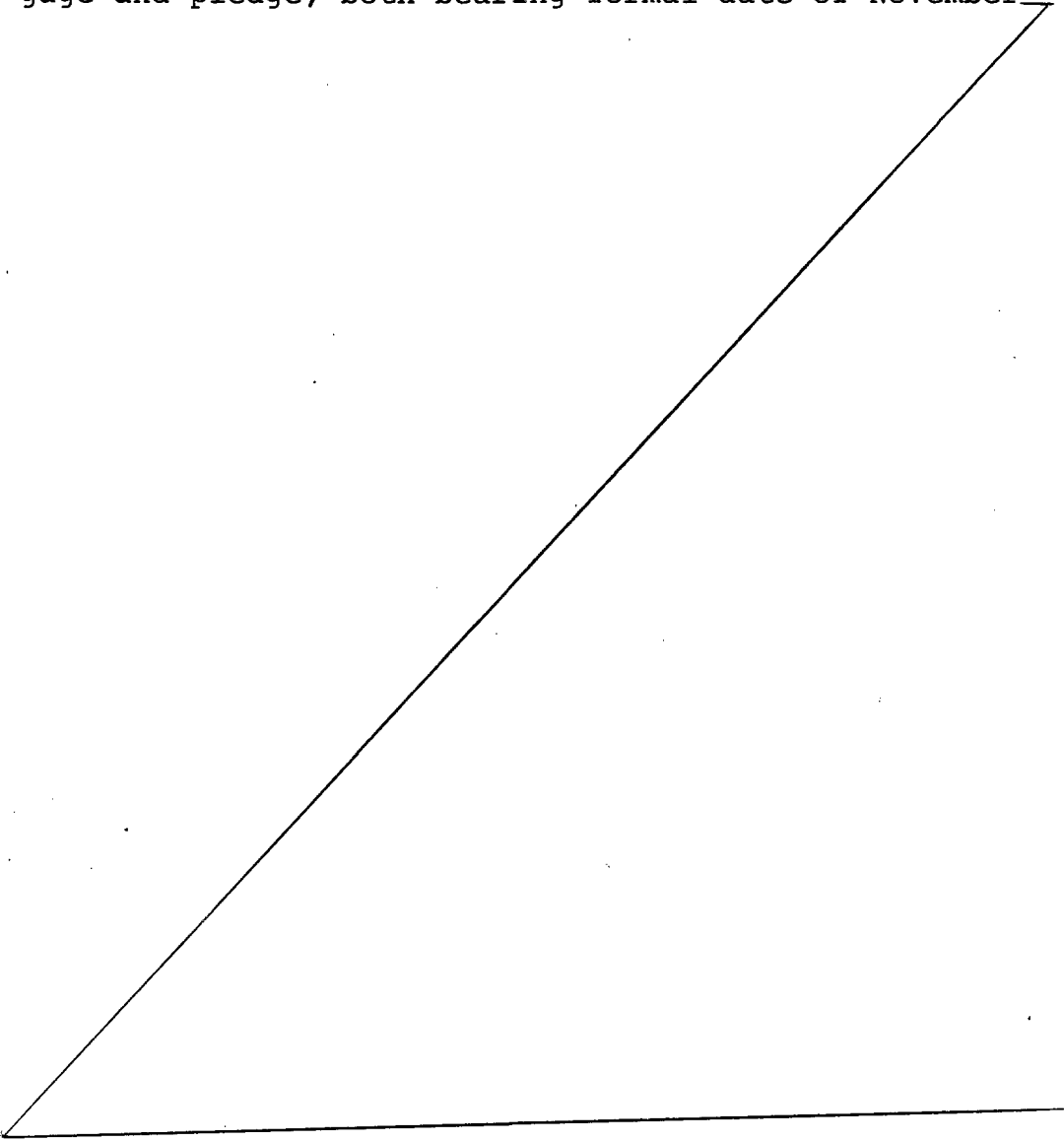
Since partial payments of principal on this Note are not required to be noted hereon, inquiry

should

- 38a -

should be made at the aforesaid office of The Royal Trust Company as to the principal amount at any time remaining unpaid hereon.

This Note is one of an issue designated 10-1/8% Secured Equipment Notes, secured by Deed of Trust and Mortgage and Trust Deed of Hypothec, Mortgage and pledge, both bearing formal date of November



1, 1975, executed between the Company and The Royal Trust Company, as Trustee, which Deeds and any and all deeds supplemental thereto are therein collectively referred to as the "Trust Deed", and to which reference is hereby made for the terms and conditions upon which the Notes are issued and the nature and extent of the security therefor.

All Notes at any time outstanding rank pari passu and are equally and rateably secured by the Trust Deed.

Subject to the provisions of the Trust Deed, Notes of any authorized denomination may be exchanged for other Notes in any other authorized denominations equivalent to the aggregate principal amount of the Notes so exchanged. Any Notes so tendered for exchange shall be surrendered to the Trustee for cancellation.

This Note is subject to the terms of the Trust Deed, to all of which reference is hereby made and the holder, by acceptance hereof, assents.

This Note shall not become obligatory until it shall have been certified by the Trustee for the time being of the Trust Deed.

IN WITNESS WHEREOF, PETERSON, HOWELL & HEATHER (CANADA) LIMITED has caused its corporate seal to be hereunto affixed and this Note to be signed by its President or a Vice-President and countersigned by its Secretary or an Assistant Secretary or a Director of the Company and to be dated the
day of , 197 .

PETERSON, HOWELL & HEATHER
(CANADA) LIMITED

By _____
President or Vice-President

Countersigned by

Secretary, Assistant Secretary
or Director

(FORM

(FORM OF TRUSTEE'S CERTIFICATE)

This Note is one of the 10-1/8% Secured Equipment Notes issued under the Trust Deed within mentioned.

Date of Certification

THE ROYAL TRUST COMPANY,
Trustee,

By _____
Authorized Officer

(FORM OF NOTATION ON NOTES
WITH RESPECT TO PAYMENTS ON
ACCOUNT OF PRINCIPAL)

(Indicate below whether fixed instalment or prepayment)	Due Date	Amount Paid	Balance of Principal Unpaid	Notation Made By:
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(FORM

(FORM OF NOTATION ON NOTES
WITH RESPECT TO INTEREST PAYMENTS)

The interest instalments payable on this Note
on the dates below specified have been paid.

Due Date of Interest Instalment	Notation Made By:
<hr/>	

FORM OF TRANSFER

FOR VALUE RECEIVED, the undersigned hereby
sells, assigns and transfers unto

the within Note, hereby irrevocably constituting and
appointing

attorney, to
transfer the said Note on the Books of the within-
mentioned Company, with full power of substitution in
the premises.

DATED _____, 19

In

In the presence of:

SECTION 21

EQUIPMENT

The following is a description of the Equipment and the amount of the Original Cost of each unit thereof:

<u>No.</u>	<u>Equipment</u>	<u>Unit Cost(1)</u> (in U.S. funds)	<u>Aggregate Cost(1)</u>	<u>Railroad's Number</u> (inclusive)
190	100-ton Covered Hopper Cars	\$24,954.90	\$4,741,431.00	CN-371702- CN-371891
94	70-ton Bulk-head Flat Cars	19,326.01	1,816,644.94	CN-603025- CN-603031 CN-603037- CN-603083 CN-603085- CN-603106 CN-603108- CN-603110 CN-603112- CN-603116 CN-603118- CN-603120 CN-603123, CN-603125- CN-603127 and CN-603129- CN-603131
			<u>\$6,558,075.94</u>	

(1) Converted to United States funds on the basis of \$1.00 U.S. = \$0.965 Cdn.

SECTION 22

AMENDMENT

The Company and the Trustee when authorized by Noteholders' Instrument, may from time to time and at any time enter into a deed or deeds supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this deed or any deed supplemental hereto or modifying the rights and obligations of the Company and the rights and obligations of the Noteholders; provided, however, that no such supplemental deed shall (a) reduce the percentage of the Notes the consent of whose holders is required for a Noteholders' Instrument or (b) extend the maturity of any of the Notes or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof or terminate the security hereby created except as herein provided.

No amendment shall be made to the CN Lease unless the same is first authorized by Noteholders' Instrument.

It shall not be necessary for the Noteholders' Instrument to approve the particular form of any proposed supplemental deed or any proposed amendment to the CN Lease, but it shall be sufficient if such Noteholders' Instrument approve the substance thereof.

IN WITNESS WHEREOF the parties hereto have executed this Indenture.

Signed, sealed and delivered in the presence of:





PETERSON, HOWELL & HEATHER
(CANADA) LIMITED

By  _____

And by  _____

THE ROYAL TRUST COMPANY

By  _____

And by  _____

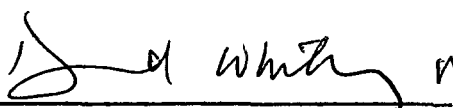
CANADA
PROVINCE OF QUEBEC

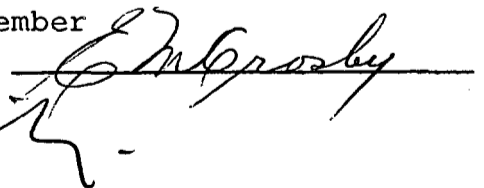
TO WIT:

I, Eileen M. Crosby, of the City of
Montreal, in the Province of Quebec, MAKE OATH AND SAY:-

1. That I am the Assistant-Secretary of
Peterson, Howell & Heather (Canada) Limited, one of the
parties to the Deed of Trust and Mortgage bearing
formal date of November 1, 1975, hereto annexed.
2. That Lloyd P. Rogers, whose signature is
affixed to the annexed document is the President of
the said Company, and Richard R. Smith whose signa-
ture is also affixed thereto is the Executive Vice-
President of the said Company, and the seal affixed
thereto is the corporate seal of the said Company.
3. That under the By-laws of the said Company,
and a Resolution duly adopted by its Board of Direc-
tors on August 22, 1975 the President and the
Executive Vice-President, were empowered to execute, on
behalf of the Company, the annexed document.
4. That I am well acquainted with the said
Lloyd P. Rogers and Richard R. Smith and saw them
execute the said document, and I am a subscribing
witness thereto.
5. That the said Deed of Trust and Mortgage
was executed by Peterson, Howell & Heather (Canada)
Limited at the City of Montreal, in the Province of
Quebec, on the 21st day of November, 1975.
6. That I am aware of the circumstances
connected with the transaction, and with the said
Deed of Trust and Mortgage, and have a personal know-
ledge of the facts herein deposed to.

SWORN before me at the City of
Montreal, in the Province of
Quebec, this 21st day of November
1975.


A Notary Public in and for
the Province of Quebec.



PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

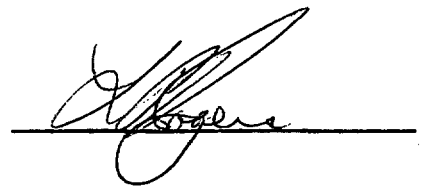
TO WIT:

I, Lloyd P. Rogers, of the District of Montreal, in the Province of Quebec, MAKE OATH AND SAY:

1. I am the President of Peterson, Howell & Heather (Canada) Limited, the Mortgagor or Assignor named in the annexed Trust Deed bearing formal date of November 1, 1975 and made and entered into between the said Peterson, Howell & Heather (Canada) Limited and Montreal Trust Company, and I am aware of the circumstances connected with the transaction and have a personal knowledge of the facts herein deposed to.

2. The said Trust Deed was actually executed by the said Mortgagor or Assignor at the City of Montreal, in the Province of Quebec, on the 21st day of November, 1975.

SWORN before me at the
City of Montreal, in the
Province of Quebec, this
21st day of November
1975.

A handwritten signature in dark ink, appearing to read 'L. Rogers', is written over a horizontal line.A handwritten signature in dark ink, appearing to read 'J. Whitney', is written over a horizontal line.

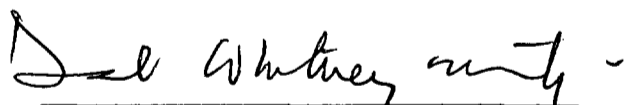
A Notary Public in and for
the Province of Quebec

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

ACKNOWLEDGEMENT OF OFFICER OF A CORPORATION

I hereby certify that on this 21st day of November, A.D., 1975, at the City of Montreal, in the Province of Quebec, aforesaid, before me, a Notary Public in and for the Province of Quebec, practising in the said City of Montreal, personally came and appeared Lloyd P. Rogers and Richard R. Smith who are personally known to me, and acknowledged that they are officers of Peterson, Howell & Heather (Canada) Limited and that they are the persons who subscribed their names to the annexed instrument as officers of the said Peterson, Howell & Heather (Canada) Limited and affixed the seal of the said Peterson, Howell & Heather (Canada) Limited to the said instrument, that they were first duly authorized to subscribe their names as aforesaid and to affix the said seal to the said instrument.

IN TESTIMONY WHEREOF I have hereunto set my hand and seal of office this 21st day of November in the year of Our Lord One thousand nine hundred and seventy-five.



A Notary Public in and for
the Province of Quebec.

CANADA
PROVINCE OF QUEBEC

TO WIT:

I, R. Pierzchalski, of the City of Montreal, in the Province of Quebec, trust company officer, MAKE OATH AND SAY:-

1. That I am a trust officer of The Royal Trust Company, one of the parties to the Deed of Trust and Mortgage bearing formal date of November 1, 1975, hereto annexed.
2. That the said Deed of Trust and Mortgage was executed by The said Royal Trust Company at the City of Montreal, in the Province of Quebec, on the 21st day of November, 1975.
3. That S. G. Hart, whose signature is affixed to the annexed document, is a trust officer of the said Company, and R. E. Francis, whose signature is also affixed thereto, is also a trust officer of the said Company, and the seal affixed thereto is the corporate seal of the said Company.
4. That under the By-law No. 6(6) of the said Company and a Resolution duly adopted by its Executive Committee, the said S.G. Hart and R. E. Francis are empowered to execute on behalf of the Company all deeds and other instruments requiring the seal of the Company.
5. That I am well acquainted with the said S.G. Hart and R. E. Francis and saw them execute the said document, and I am a subscribing witness thereto.

SWORN before me at the
City of Montreal, in the
Province of Quebec, this
21st day of November
1975.



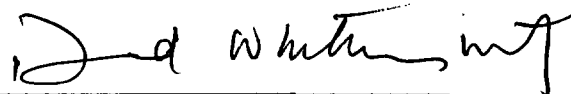
A Notary Public in and for
the Province of Quebec.

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

ACKNOWLEDGEMENT OF OFFICER OF A CORPORATION

I hereby certify that on this 21st day of November, A.D., 1975, at the City of Montreal, in the Province of Quebec, aforesaid, before me a Notary Public in and for the Province of Quebec, practising in the said City of Montreal, personally came and appeared S.G. Hart and R. E. Francis who are personally known to me, and acknowledged that they are trust officers of The Royal Trust Company and that they are the persons who subscribed their names to the annexed instrument as trust officers of said The Royal Trust Company and affixed the seal of said The Royal Trust Company to the said instrument, and that they were first duly authorized to subscribe their names as aforesaid, and affix the said seal to the said instrument.

IN TESTIMONY WHEREOF I have hereunto set my hand and affixed my seal this 21st day of November in the year of Our Lord One thousand nine hundred and seventy-five.



A Notary Public in and for
the Province of Quebec.

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

TO WIT:

I, S. G. Hart, of the City of Montreal, in the Province of Quebec, MAKE OATH AND SAY:

1. I am Assistant Secretary of The Royal Trust Company, the Trustee named in the annexed Trust Deed bearing formal date of November 1, 1975 and made between Peterson, Howell & Heather (Canada) Limited and The Royal Trust Company, and I am aware of the circumstances connected with the transaction and have a personal knowledge of the facts herein deposed to.

2. The said Trust Deed was executed in good faith and for the purpose of securing payment of the debentures referred to therein and not for the mere purpose of protecting the chattels or book debts therein mentioned against the creditors of the Mortgagor or Assignor or preventing such creditors from obtaining payment of any claim against the Mortgagor or Assignor.

SWORN before me at the City of Montreal, in the Province of Quebec, this 21st day of November 1975.

S. G. Hart

Dea Whitney

A Notary Public in and for
the Province of Quebec